

December 2016

MACROECONOMIC INDICATORS

- ISM Manufacturing ↑
- Fed Reserve Manufacturing Index ↑
- Rig Counts ↑

PETROLEUM DEMAND INDICATORS

- Total Deliveries ↑
- Gasoline ↓
- Distillates ↑
- Jet Fuel ↑

RETAIL PRICING INDICATORS

- Regular Gasoline ↑
- On-highway Diesel ↑

PETROLEUM DELIVERIES

Total petroleum deliveries in December increased 0.5 percent from December 2015, and were up 0.6 percent from November, to average nearly 19.7 million barrels per day. These were the highest December deliveries in six years, since 2010. For the fourth quarter, total domestic petroleum deliveries, a measure of U.S. petroleum demand, increased by 1.1 percent compared to the fourth quarter 2015. For year to date, total domestic petroleum deliveries increased by 0.4 percent compared to the same period last year to 19.6 million barrels per day. According to the Bureau of Labor and Statistics (BLS) January 6, 2017 report, the overall economy in the U.S. showed slight growth in December, adding 156,000 jobs. BLS also reported that the number of unemployed persons and the unemployment rate in December posted little change, at 7.5 million and 4.7 percent, respectively.

In December, gasoline deliveries were down from the prior month, the prior year, and the prior quarter, but were up from the prior year to date. Gasoline deliveries, a measure of consumer gasoline demand, decreased by 1.5 percent from November, and fell by 1.3 percent from December 2015, to average slightly above 9.0 million barrels per day. These were the second highest December deliveries in nine years, since 2007. For the fourth quarter, gasoline deliveries decreased by 0.8 percent compared to the fourth quarter 2015. For year to date, gasoline deliveries increased by 1.3 percent compared with year to date of 2015. According to the latest EIA price data, the average regular-grade gasoline price in December rose by 7.1 cents from November and was up by 22.2 cents from December 2015, to \$2.366 per gallon. This was the highest price for any month since June 2016, but remained the second lowest price for the month of December in eight years, since 2008.

Distillate deliveries increased by 2.1 percent compared with December 2015 to average 3.9 million barrels per day in December. Compared to the prior month and to the 2015 fourth quarter, distillate deliveries were up by 2.2 percent and 1.6 percent, respectively. Compared to year to date 2015, distillate deliveries were down by 3.5 percent. Ultra-low sulfur distillate (ULSD) deliveries averaged nearly 3.7 million barrels per day in December, up 1.4 percent from December 2015. ULSD deliveries were also up compared with November and fourth quarter 2015, rising by 1.4 percent and 1.3 percent, respectively. Compare with year to date 2015, ULSD deliveries were down by 3.5 percent. According to the latest EIA price data, ULSD prices averaged \$2.510 per gallon in December—the highest price for any month in 16 months, since August 2015. This was up by 7.1 cents from November and was higher by 20.0 cents from December 2015. ULSD prices remained below \$3.000 since December 2014 and were the third lowest December price on record.

According to the latest Manufacturing ISM Report on Business from the Institute for Supply Management (ISM) Survey, economic activity in the manufacturing sector expanded in December, and the overall economy grew for the 91st consecutive month. In addition, Bradley J. Holcomb, CPSM, CPSD, the chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) registered at 54.7 percent, an increase of 1.5 percentage points from November's reading of 53.2 percent.

PETROLEUM SUPPLY

At an average of nearly 8.8 million barrels per day, U.S. crude oil production in December decreased 4.8 percent from December 2015, but increased 0.6 percent from November. December's crude oil production was the lowest December output since 2013. Compared with year to date 2015, domestic crude oil production declined 5.8 percent to average 8.9 million barrels per day—but remained the second highest year to date in 31 years, since 1985. For the fourth quarter, crude oil production was down 5.6 percent compared to the same period last year. Natural gas liquids (NGL) production, a co-product of natural gas production, in December averaged nearly 3.5 million barrels per day, which was the highest for the month of December on record, and decrease by 0.3 percent from November's output but was 1.0 percent higher than the same period last year. NGL production increased 0.5 percent for the fourth quarter of 2016. Compared with year to date 2015, NGL production rose by 4.0 percent. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in December was 634, an increase of 9.3 percent from the previous month but a decrease of 11.2 percent from year ago levels. Last month's count was the seventh consecutive monthly increase.

U.S. total petroleum imports in December averaged just above 10.0 million barrels per day, down by 3.0 percent from the prior month but up 3.1 percent from the prior year. This was the highest imports for the month of December, since 2011. For the fourth quarter, total imports were up 8.5 percent compared with the same period last year. For year to date, total imports increased 6.7 percent compared with the same period last year and was the highest year to date on record, since 2012. Meanwhile, crude oil imports decreased 0.8 percent from November but increased 0.9 percent from December 2015 to average just below 8.0 million barrels per day. Crude oil imports in December were the highest level for the month of December in five years, since 2011. Compared to year to date 2015, crude oil imports were up 7.1 percent. For the fourth quarter, crude oil imports were up 5.5 percent compared with the fourth quarter of 2015.

U.S. refinery gross inputs in December were down slightly by 0.1 percent from December 2015, but were up by 1.8 percent from November to average 16.8 million barrels per day in December. These were the second highest December inputs on record. For the fourth quarter, refinery gross inputs were down 0.2 percent compared with the fourth quarter of 2015. For year to date, refinery gross inputs increased by 0.5 percent compared with year to date 2015. The refinery capacity utilization rate in December averaged 91.1 percent. This was up 1.5 percentage points from November, but down 1.5 percentage points from the same period last year. API's latest refinery operable capacity was 18.459 million barrels per day, up 1.5 percent from last year's capacity of 18.186 million barrels per day.

Production of gasoline in December increased 2.1 percent from December 2015, but decreased 0.2 percent from November to average 10.0 million barrels per day – the highest output for the month of December on record. Compared to the prior quarter and the prior year to date, gasoline production moved up 1.9 percent and 2.4 percent, respectively. This was the highest year to date on record. Production of distillate fuel in December was 5.1 million barrels per day, up by 1.8 percent from December 2015 and was up by 1.2 percent from November. This was the second highest for the month of December on record. Compared to the fourth quarter 2015 and year to date 2015, distillate production was down, falling by 1.3 percent and by 2.8 percent, respectively. Production of three of the major products—gasoline, distillate, and residual fuels—was higher than deliveries for those products, so these refined products were exported. Exports of refined petroleum products were up from the prior month and the prior year, increasing 7.8 percent and 3.5 percent, respectively. Compared to the fourth quarter 2015 and year to date 2015, exports of refined petroleum products were up 4.5 percent and 8.8 percent, respectively. These were the highest year to date on record.

Crude oil stocks (excluding lease stocks) reached its highest inventory level for the month of December since 1929. At 483.2 million barrels, crude stocks ended slightly lower than November, falling by 0.5 percent or 2.6 million barrels, but were 7.6 percent or 33.9 million barrels higher than December 2015. Stocks of motor gasoline ended up 2.7 percent from November, but were down by 0.6 percent from December 2015, to 234.1 million barrels in December. Distillate fuel oil stocks were up by 3.3 percent from the prior month, but were down by 0.4 percent from year ago levels and ended at 160.7 million barrels—the second highest inventory level for the month of December in six years, since 2010. Jet fuel stocks were down from the prior month by 2.1 percent, but were up by 5.2 percent from the prior year. Stocks of “other oils” were down by 0.9 percent from month ago levels but were up by 3.6 percent from year ago levels. Total inventories of all oils moved up 0.5 percent from month ago levels, and were up by 3.3 percent from year ago levels.

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